

June 24, 2006

**The Honorable Mayor, Members of the City Council,
and the Citizens of the City of Burien**

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Burien, prepared in accordance with generally accepted accounting principles, for the year ended December 31, 2005. The purpose of the report is to provide citizens, investors, grantor agencies and other interested parties with reliable financial information about the City.

I. INTRODUCTION TO THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report includes all City of Burien operations and activities for which the City is financially accountable. Financial accountability is defined as appointment by the City of a voting majority of another organization's governing body and either the ability to impose its will on the other organization, or the potential for the other organization to provide specific financial benefits to or impose financial burdens on the City.

All of the funds in this report pertain to the operations of the City of Burien. There were no other organizations for which the City was financially accountable.

This Comprehensive Annual Financial Report is presented in conformity with Governmental Accounting Standards Board (GASB) Statement 34. The implementation of GASB 34 modified the presentation of financial information for the City of Burien effective with financial statements ending December 31, 2003. The format and purpose of these changes are addressed in greater detail in the Management Discussion and Analysis. The notes to the financial statements are also designed to discuss the changes and explain the effects and results of these changes. This is the third year of reporting under the new format, therefore, discussions concerning changes in financial condition will compare year end 2004 and 2005.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Burien's MD&A can be found immediately following the independent auditor's report.

The Comprehensive Annual Financial Report is presented in three distinct sections. The ***Introductory Section*** includes this letter of transmittal, a schedule of principal City officials, and an organizational chart. The ***Financial Section*** includes the Independent Auditor's Report on the financial statement audit, Management Discussion and Analysis, basic financial statements, combining and individual fund presentations, and supplementary information. The ***Statistical Section*** includes various tables reflecting the economic and social data, financial trends, and the fiscal capacity of the City for the last ten years.

Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including disclosures, rest with City Management and the City's Finance and Administrative Services Department. The City maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles.

II. THE CITY OF BURIEN AND ITS SERVICES TO THE PUBLIC

The City of Burien was incorporated as a non-charter code city on February 28, 1993, with a Council-Manager form of government. The City is governed by an elected council of seven members, with one of the members elected by the others to serve as Mayor for a two-year term. All seven City Council positions stood for election upon incorporation in 1993 for staggered two- and four-year terms. After 1995 all terms are for a period of four years, allowing for both continuity and staggered elections.

The following City services are provided to the public, either directly or through contracts with other governmental agencies and outside vendors:

Executive Services are provided by the City Manager who is responsible for administering policies and programs established by the City Council, and directing and coordinating departmental operations.

Finance & Administrative Services are provided by City staff and include budget and financial statement preparation, cash management, contract management, and the management of Burien's information systems.

Community Relations and Human Resources are provided by City staff and includes the maintenance of the official records of the City including meeting minutes, contracts, and other official business, as well as personnel administration, and community information.

Legal Services are provided by City staff, who serve as legal advisor to the City Council and management, and represents the City in litigation. Public prosecution, public defender and additional litigation assistance is provided through contracted services.

Municipal Court Services are provided through a contract with King County District Court.

Police Services are provided through a contract with the King County Sheriff's Office.

Jail Services are provided through contracts with King County Department of Adult Detention, the City of Renton and Yakima County Department of Corrections.

Public Works are provided by City staff and through contracted services and include engineering, street maintenance, and surface water management.

Planning and Community Development are provided by City staff and include the issuance of planning and building permits, and current and long range planning.

Parks, Recreation and Cultural Services are provided by City staff and include recreational, arts programs, senior center operations, and parks maintenance.

Fire Services are provided by King County Fire District No. 2, which contracts with North Highline Fire District for services in the northern section of the City. The City annexed to the Fire District in 1997.

Library Services are provided by the King County Library District.

Water and Sewer Services are provided by various special purpose districts within the City.

The following schedule includes the major contracts with other governmental agencies and the 2005 expenditures reported in the financial statements relating to those entities:

• King County Sheriff's Office (police services)	\$5,973,557
• King County Public Works Department (street & signal maintenance)	612,438
• King County Public Works Department (overlay and signal controllers)	517,929
• Jail Services with Yakima County, City of Renton and King County Department of Adult Detention	428,577
• King County Surface Water Management Division	<u>464,917</u>
Total 2005 major contracts with other governmental agencies	<u>\$7,997,418</u>

III. ECONOMIC CONDITIONS AND OUTLOOK

Local Economy

The City of Burien, located in southwest King County, is bordered by Puget Sound on the west, Seattle-Tacoma International Airport on the east, Seattle and unincorporated King County on the north, and Normandy Park on the south. The City is characterized by well-established residential neighborhoods and a central downtown business district.

The predominant character of the City is a residential suburb providing a diverse range of residential opportunities for people who are employed in the regional economy throughout King County. The City is also a significant commercial center, serving both a regional market in some sectors, such as automobile sales, and a subregional commercial center serving adjacent areas of White Center, and the cities of Sea-Tac, Normandy Park, and Des Moines.

While historically the regional economy of Puget Sound has been dominated by the Boeing Company, there has been substantial diversification over the last several years. The computer software and related industries have been one of the very pronounced leaders in this diversification (led by the Microsoft Corporation). This diversification also is related to increased activity in international trade through the Port of Seattle, and the growth of international trade related services.

The business economy of the City itself is also relatively diversified. Economic activity within Burien can best be measured in the form of revenue receipts from taxable retail sales. The largest local economic sectors are automotive dealers and gas stations, which comprised 33% of the total sales tax revenue to the City in 2005. Auto dealers serve a regional market competing with other regional auto centers. The next largest sectors of activity reflect Burien's role as a subregional commercial center serving the residents of the community and surrounding residential communities. These sectors include grocery stores, drug stores and related retail merchandise. The City has growing service centers spurred by medical and related services centered around Highline Community Hospital. The City also has significant employment in education, providing sites for the Highline School District administrative offices.

Future Economic Outlook

The economic outlook for Burien's economy, both in its role as part of the regional economy and for its local business sectors, is positive based on current trends. At the regional level, Burien is well situated to take advantage of the economic diversification that is occurring in the region. Much of this economic stimulus is being provided by the growth of both international trade and international services. State Route (SR) 509 provides direct access from Burien to the City of Seattle and the Port of Seattle and its supporting industrial areas in south Seattle. SR 518 provides a direct access from Burien to Seattle Tacoma International Airport and the developing industrial area in the Green River Valley to the east.

The Washington State Department of Transportation has conducted an environmental impact analysis on the extension of the SR 509 highway (which runs north/south through Burien), west of the Airport to connect with Interstate-5 (I-5). Since I-5 is the primary arterial serving all of the West Coast, this connection with SR 509 could substantially improve accessibility between the City and the growing areas to the south. The Washington State Department of Transportation has already improved the First Avenue South Bridge at the north end of SR 509, improving access to the north.

Substantial redevelopment has and is occurring on key sites within the City. Since 1993, the Fred Meyer Shopping Center and the Albertson's Shopping Center sites have been completely renovated. The Redwood Building, a retail and office center was completed, a new Walgreen's Drug Store and a new Azteca Restaurant have opened, the Highline Community Hospital underwent a major renovation and expansion project including a new wing and parking facility, and a new Safeway Shopping Center has been completed. Most recently several schools have been remodeled or replaced and the public-private partnership development of town square is poised to begin in the near future.

Local economists are forecasting a slight improvement in the growth in employment for the Seattle area. In the last 15 to 20 years, significant diversification has occurred in the job market. This diversification has lessened the impact of Boeing's job cut backs on the region.

IV. MAJOR INITIATIVES

The following are among the City's 2005 achievements:

- Completed the Sylvester Road and Maplewild Avenue Earthquake Repair Projects on time and budget.

- Determined Annexation policy for the North Highline Annexation area.
- Implemented after school programs at two new schools.
- Continued to expand use of Burien's TV channel and added electronic agenda packets to the website.
- Completed the Phase 1, Seahurst Park Seawall Removal and Eagle Landing Park, projects.
- Completed relocation of the Burien Senior Center to the Community Center facility.
- Expanded community emergency preparedness with the Emergency Operations Plan.

Planned achievements for 2006 include the following:

- Complete design of joint City Hall/Library and Town Square Park.
- Begin construction on the First Ave South project.
- Begin first phase of electronic document management project.
- Continue to enhance and expand the TV channel and the negotiate mitigation of northeast neighborhood with the Port of Seattle.
- Continue to study and plan for potential annexation.
- Begin construction on Seahurst Upland Restoration, Mathison and Jacob Ambaum park projects.

V. FINANCIAL INFORMATION

Accounting System & Policies and Budgetary Controls

Accounting System and Policies: The City's financial statements for governmental funds (general, special revenue, debt service, and capital projects) have been prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when measurable and available to finance current expenditures. Expenditures are recognized when goods and services are received or the liability is incurred. The City's proprietary fund, the Surface Water Management Fund, is accounted for on the accrual basis. Revenues on the accrual basis are recognized when earned and expenses are recognized when incurred.

Cities in the State of Washington must comply with the Budgeting, Accounting and Reporting System (BARS) prescribed by the Office of the State Auditor as authorized under Chapter 43.09 Revised Code of Washington (RCW). There are additional requirements of timely submission of annual financial reports to the state for review. The City's accounting system is structured to facilitate the effectiveness of internal accounting controls. The internal accounting controls

are designed to provide reasonable assurance regarding the safeguarding of assets and the reliability of the financial records.

Budgetary Controls: The City maintains budgetary controls in accordance with Chapter 35A.33 RCW. The objectives of these budgetary controls are to ensure compliance with legal provisions of the budget approved by the City Council. Activities in the General Fund, most Special Revenue funds, and the Debt Service funds are included in the annual appropriated budget. The level of budgetary control, at which expenditures cannot legally exceed the appropriated amount, is established at the individual fund level. Activity in the grant-financed Special Revenue fund and the Capital Projects funds are budgeted for the length of the projects. All appropriations, except for the project-length Special Revenue fund and the Capital Project funds, lapse at year-end.

Risk Management

Liability and property insurance for the City is purchased through the Washington Cities Insurance Authority, a pool established through the Interlocal Cooperation Act authorized by Chapter 48.62 RCW.

Employee health insurance premiums are purchased through policies administered by the Association of Washington Cities. Industrial insurance and unemployment insurance are administered by the State of Washington. The City pays premiums established by these state agencies.

Bonded Debt Management

At December 31, 2005, bonds payable total \$2,850,000 from a 2002 limited tax general obligation bond issue. The debt service on these bonds will be paid over 20 years. Interest rates on the 2002 issue range from 2.5% to 4.7%.

The ratio of net direct tax supported bonded debt to assessed valuation and population presents useful indicators of the City's relative debt burden. These ratios for the end of 2005 are as follows:

	<u>Ratio of Debt to Assessed Valuation</u>	<u>Debt Per Capita</u>
Net Direct Tax Supported Debt	0.10%	\$ 92

Cash Management

The City's policy is to invest excess cash not needed for immediate operations. At year-end the City had invested approximately \$12.5 million with the State of Washington Local Government Investment Pool. The average yield during calendar year 2005 was 3.17% with a net earnings rate of 3.13%. The investment pool provides a diversified portfolio consisting of banker's acceptances, repurchase agreements, U.S. agency securities, U.S. treasury securities and certificates of deposit. The investments are liquid and can be redeemed at short notice, and therefore are classified as cash and cash equivalents in the financial statements.

VI. INDEPENDENT AUDIT

State statute requires that an audit of the City's financial affairs be made at such reasonable, periodic intervals as the State Auditor shall determine, but at least once every three years. The State Auditor performs such an audit of the City on an annual basis. The 2005 audit of all City funds has been completed and it was conducted in accordance with generally accepted auditing standards. The City has received an unqualified opinion on its 2005 financial statements.

VII. CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Burien for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

VIII. ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated service of the entire Finance and Administrative Services Department. We wish to express our appreciation to all other City personnel for their assistance and cooperation during the year. We also wish to thank the City Council whose interest in, and support of, the financial affairs of the City have significantly contributed to quality financial services. The assistance of the State Auditor's Office is greatly appreciated during the preparation of our Comprehensive Annual Financial Report.

Respectfully submitted,

Linda L. Gorton
Director, Finance & Administrative Services

ELECTED CITY OFFICIALS**2006 City Councilmember**

Joan McGilton, Mayor
Jack Block, Jr, Deputy Mayor
Sue Blazak
Rose Clark
Lucy Krakowiak
Sally Nelson
Gordon Shaw

Term Ending

December 2009
December 2007
December 2009
December 2009
December 2007
December 2009
December 2007

CITY ADMINISTRATION

Interim City Manager
Finance & Administrative Services Director
Public Works Director
Community Development Director
Parks, Recreation & Cultural Services Director
Community Relations & Human Resources Director
Chief of Police Services
City Attorney

David Cline
Linda Gorton
Stephen Clark
Scott Greenberg
Michael Lafreniere
Jan Roegner
Scott Kimerer
Lisa Marshall



City of Burien, Washington
Organizational Chart

